

MHESLA Facts

WHAT IS A BUDGET?

A budget is a financial plan that shows you where your money is being spent, allows you to make important decisions, and helps you to take steps in the right direction towards financial responsibility.

PREPARING A BUDGET

First Step: Estimate your monthly income which includes all money from your job, scholarships, etc.

Second Step: Estimate monthly expenses, such as, but not limited to, housing, utilities, cell phone, etc.

Third Step: Subtract estimated monthly expenses from estimated monthly income.

If the difference is "0" or a minus amount, you will need to explore ways to increase your monthly income and/or decrease your monthly expenses.

If the difference is a positive amount, then this figure is called discretionary income; money to be saved or used responsibly as needed.

Fourth Step: Prepare a full year's budget and compare to your actual monthly income and expenses. Adjust your finances accordingly.

HELPFUL HINTS

Generally, monthly loan payments should not exceed 10% of your monthly income (income of \$500 per week with a loan payment of up to \$50).

Limit spending by using prepaid phone cards. This is a great way to reduce telephone expenses.

Be careful of entertainment expenses; be creative, such as participating in "free" activities.

"Renter's Insurance" is a wise investment.

A rule of thumb is saving 5% of your income.

NOTE: Not considering interest, if you save \$2 a day, in four years you would have \$2,920. If you have a \$1 soda per day, in four years you would have spent \$1,460. Something to think about!!

A KEY TO SUCCESSFUL BUDGETING IS TO KNOW WHERE YOUR MONEY GOES

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